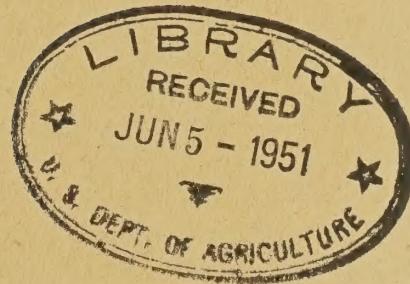


XREA

REPORT OF REGION I INTERIM FIELD CONFERENCE

HOTEL BELLEVUE-STRATFORD,
PHILADELPHIA, PENNSYLVANIA

FEBRUARY 12-14, 1951 //



ATTENDANCE

Wm. C. Wise, Assistant Administrator, REA
John W. Asher, Jr., Moderator

Accounting and Auditing Division

K. L. Culver
John Bishop
J. J. Carew
Jos. P. Fitzpatrick
Geo. Gilleland
B. W. Healey
Cecil Howell
Marie A. Kecough
Nellye McGinnis
J. M. Rubenstein
Germaine Van Laethem
Kurt Willasch

Engineering Division

Harry Smith
Harold Dangerfield
Daniel Ward
Mitchell A. Wackym
L. Franklin Jones
Earl H. Sisk
L. T. Gibbs
J. W. Carpenter
C. G. Proffitt
Peter A. Mancini
E. Dickey

Applications and Loans Division

K. N. Hardy
A. Tessmann
Hugh O'Hara
Reed S. Hutchison
J. L. Rouzie, Jr.
Asher L. Young
Herman J. Kroger
Robert E. Turner
W. P. Bauer
Earl Patterson
Elizabeth O'Kelley

Management Division

F. Allen Vardy
Roland A. Blass
E. C. Gallagher
Frank D. Wilkinson

Office of the Solicitor -
Philadelphia, Pennsylvania

John E. Donahue
Coleman S. Moffett

Mr. William C. Wise, Assistant Administrator, acted as Moderator of the meeting for the first day, and Mr. John W. Asher, Jr., acted as Moderator for the second and third days.

MATERIALS PRIORITIES

Mr. Wise presented a discussion of the background and present status of the regulations pertaining to the acquisition and use of strategic materials. These regulations are issued pursuant to the Defense Production Act of 1950. Executive Order 10161 delegated authority to the Secretary of Interior with respect to electric power. The National Production Authority was granted authority for allocating materials. NPA issued two orders involving REA borrowers.

Order M-7, effective November 13, 1950, calls for reduced use of aluminum in civilian economy in order to provide for necessary quantities of aluminum for national defense. The order cut non-defense use of aluminum in 1951 to 65 percent of the 1950 level. However, REA borrowers are permitted to use all aluminum conductor on hand, or for which suppliers have accepted orders before November 13, 1950, for delivery before April 1, 1951. However, use of such conductor must be made before April 1, 1951. Thereafter, additional supply of aluminum will be available to borrowers with certain limitations on its use. During December 1950, borrowers could not use in construction more aluminum than his average monthly use during first six months of 1950. During each of four quarters of 1951, a coop may not use more than 65% of its average quarterly use of aluminum during the first six months of 1950. Use of aluminum in any one month may not exceed 40 percent of quarterly allowance. With respect to maintenance, no person may use during six months period (beginning January 1, 1951) more aluminum than used during first six months of 1950. With respect to inventories the order limits the users of aluminum to the amount needed to maintain normal operations for a 60 day period.

Order M-12, effective November 29, 1950, places limits on civilian use of copper in December, 1950, and the first quarter of 1951. When order was issued, REA pointed out to NPA and the DEPA, that it would be administratively impracticable to apply a percentage reduction to the use of copper conductor by each individual REA borrower and that such a plan would restrict the overall rural electrification program much more than was contemplated in the order. NPA advised Mr. Wickard by letter, dated December 18, 1950, that all REA borrowers will be considered together as one user and that REA would be responsible for administering the distribution of copper conductor among the individual borrowers, subject to such regulations as the DEPA may make. NPA permitted REA's telephone borrowers as a group to use 133 tons of copper in conductor during December 1950 and the first quarter of 1951, with distribution among those borrowers to be determined by REA. With respect to construction, copper conductor used during December 1950, by all REA borrowers collectively, could be 100 percent of the average monthly use during October and November 1950. During January and February 1951, the use of

copper conductor is restricted to 85 percent of the average monthly use during the first six months of 1950. It is limited to 80 percent of that amount during March 1951. For maintenance and operation the use of copper by an individual borrower for the first quarter of 1951 may be 100 percent of the average quarterly use during the first six months of 1950.

Mr. Wise urged all field people to check on all borrowers and prevail upon them to return promptly to REA all questionnaire forms pertaining to the actual use of copper on their systems. Forms ADM 98 and 99 were mailed to borrowers January 4, 1951. Data requested on these forms are essential for our dealings with NPA to support our figures on what cooperatives would use if they could get wire. Form ADM 101 mailed out January 26, 1951, shows actual copper used in January. Field people could be very helpful in persuading borrowers to submit this information promptly, as it is necessary in placing requirements for materials on a program basis. Forms ADM 98 and 99 were not received by all field personnel. It was recommended that a set-up be established so that all field people will receive copies of questionnaire forms, so that they will be in position to expedite the data requested by the Washington office.

It was brought out in the discussion that a cooperative can accumulate enough materials to take care of a project which has been approved by REA and that a supply of copper on hand is legal insofar as present regulation orders are concerned, but that it cannot be used except by authorization, based on actual need. Apparently, there is no clear understanding as yet regarding the inclusion of salvage materials in new construction. Mr. Wise described Electric Order No. 1 with accompanying DEPA Forms Nos. 2 and 3 asking cooperatives to submit information on any transmission project above 15 KV or using more than 10,000 pounds of copper or any project costing more than \$50,000. The field staff should give the borrower any help needed in the preparation of any material forms. The DEPA forms should show how many farms, factories and/or dairies were involved. Anywhere or any way that the electric service makes a special contribution to the production of food or to the defense program should be emphasized.

The cooperatives should shop around and exhaust all means at their command and then, if impossible to secure materials needed, they should contact the regional engineer, giving full particulars of their efforts and he will try to find materials needed. If the field people hear of any extra materials, they should spread the news. The NRECA and several statewide associations have appointed committees to work with us in securing materials. With regard to the use of Amereductor it seems that, although it is not on the approved list, REA will permit the use of any portion already on hand when it was taken from the list.

(Footnote: Field Representatives must keep informed currently with the provisions of Defense Bulletins released by REA, since above information may be out of date by the time it is received.)

CEILING PRICES AND ESCALATION

Mr. Wise stated that prices had been frozen at their highest point between the dates of December 19, 1950, and January 25, 1951. It was also brought out that REA may now in some cases approve contracts for materials which embody a reasonable percentage of escalation, such as ten percent.

PREVAILING WAGES

The Assistant Administrator pointed out that REA had had a prevailing wage policy in effect until 1948, when it was dropped because of a lack of manpower and because it was argued that all workers on cooperative lines were being paid at least the prevailing wage. Since that date the IBEW of the AFL and the UWA of the CIO have both condemned REA and accused us of causing the payment of low wages. The political power of these unions is considerable and they could exert effective pressure against the REA program. Moreover, REA doesn't want to be connected with any program involving payment of sub-standard wages. Therefore, we are trying to work closely with the Labor Department in determining that fair wages are paid on REA work throughout the country. With respect to the submission of prevailing wage data by cooperatives, REA field people were asked to urge the co-ops to provide REA with names, dates, type of construction, classification of workers, etc., in order that the data submitted may be accepted for consideration by the Department of Labor.

DISCUSSION OF INDIVIDUAL BORROWERS' PROBLEMS AND PROGRESS REPORT BY TASK FORCE

Regarding Maine 16, the most serious problem seems to concern the fact that of 197 members to whom extensions have been built only 99 members were receiving service as of January 31, 1951. This condition resulted from the scarcity of house-wiring contractors on the island. There is also a problem with regard to the likelihood that the present manager will resign unless he is paid more than the \$160 a month he now receives. When REA receives the report of the audit now in progress, Applications and Loans and Accounting and Auditing Divisions will consult together relative to finances of this cooperative.

With regard to New Hampshire 5, it was stated that there are about 8,000 consumers dependent largely on small farming and including many seasonal consumers. Mention was made of the fact that a goodly number of the members of the E. E. Cotton family are employed by New Hampshire 5. A management study of New Hampshire 4 and 5 was recommended and it was stated that integration of the two systems would probably be frowned upon by the New Hampshire Public Utilities Commission until New Hampshire 4 gets in the black. A preliminary management and engineering survey is to be started in the near future by the task force. It was reported that New Hampshire 5 has been lowering rates to some merchants and others. Mr. Gallagher was asked to review the rate study being made by this borrower and submit information through a task force report to REA.

On Virginia 49 it was brought out that there are 450 members equally divided between Tangier and Smiths Islands. All of the engines are in poor condition and there are no linemen on Tangier Island other than those borrowed from the mainland. There are many work orders awaiting completion and approval to support an amount of about \$30,000 contained in the work in progress account. Many budget items are over-expended and the bookkeeping needs much attention.

Relative to Virginia 37, it was stated that the management is proving to be inadequate. Materials are very poorly handled and big discrepancies have arisen. The manager was severely criticized by the board. It was recommended that after the cooperative has been in its new building for six months or so, definite action should be taken by REA unless improvement has been made.

Regarding North Carolina 46, it was stated that this cooperative has one of the best electrification advisers in the state and that it has been loaned \$330,000 recently under Section 5 of the REA Act. Management Division is to study the co-op's progress.

Maine 13 is dominated by its President, Silsby, an attorney. REA is now seeking to have more than one candidate named for each director post and to have the board meet more than once or twice a year. Expenses can hardly be lowered; therefore, revenues must be raised. The Applications and Loans member of the task force plans to help this spring with two rounds of neighborhood membership meetings and perhaps a representative of Information Services Division can be present to give some assistance.

Maine 8 has a loan pending which may be officially approved if and when the power supplier writes a letter assuring the cooperative of a delivery point. High power costs will continue as a problem at this cooperative and the design of sub-station and construction will require the full cooperation and coordination of all FEA Divisions.

Maine 12 has a headquarters problem. It has an opportunity to buy Quonsets and move out near Calais. The Management Division needs to write recommendations for a headquarters loan.

New York 23 has obtained approval for purchase of a building for headquarters purposes and the Accounting and Auditing Division has advanced \$1,560 remaining in the budget to permit closing of this deal, pending approval of a \$3,500 loan which will make available the full amount necessary. The Board President has tendered his resignation but it has not yet been accepted. The lines are built of steel conductor which must eventually be replaced.

New York 24 has received much attention from the task force and is now in rather good condition from most viewpoints. However, its present manager is young and may be called into the service soon.

Vermont 10 has managed to cut its deficit in half but it has a very heavy

investment as compared with its revenues. The manager who is also the bookkeeper can hardly keep up with the work. With regard to the lines in Massachusetts which the power company is trying to force out of existence a decision is awaiting renewal of the recessed hearing of the Utility Commission which will be about March 1, 1951.

REGULATION W - SECTION 5 LOANS

Mr. Tessman stated that co-ops are under this regulation and must register on an application obtainable at any Federal Reserve Bank. He summarized the various instructions contained in the regulation bulletin and asked the field people to take an interest in the matter of compliance by REA borrowers with the regulation. About \$5,000,000 has been set up for Section 5 loans this year but only \$1,500,000 has been used so far. We don't expect a scarcity of appliances similar to that in World War II, although the production of such items will be cut by 50 percent by the end of this year it is expected.

ADMINISTRATIVE BULLETIN NO. 75

Mr. Patterson summarized the provisions of this bulletin and emphasized the respective responsibilities of the various divisions of REA. It was pointed out that Region I has been getting away from small loans and that most cooperatives have felt it to be to their advantage to do so. In a discussion on loan approvals it was stated that six weeks is about the minimum required for processing a loan which is correct in every respect, and that many loan applications are submitted in incorrect form. This region now has load studies on about 85 percent of the borrowers which enables the waiver committee of REA to waive field studies in many instances. Field people were warned against checking the feasibility of just one extension and allowing a manager to obtain their support for opposing the extension. Field people should report such incidents and give REA a chance to make a check on the feasibility of an extension on an over-all basis.

ACCOUNTING FOR CONVERSION OF TRANSFORMERS AND OTHER SYSTEM IMPROVEMENTS

Mrs. Keough pointed out that co-ops are very often careless in accounting for conversions. She stated that a transformer should be retired only when it has been determined to be useless. She cited Bulletin No. 64 on replacements, giving definition of system improvements. The Division recommends the conservative approach in disposing of suspense accounts, particularly recommending that margins not be credited for credit suspense balances, unless it is shown that material previously charged to maintenance was overpriced.

Converted transformers should be accounted for on a construction work order which reflects the price charged by the manufacturer for the conversion, the value of the salvage parts from the old transformers and presenting data on transformer numbers, etc. This construction work order should be accompanied by retirement work order reflecting

retirement of the inoperative transformers which were converted. When the converted transformers are placed on the line, another construction work order will be needed to evidence the installation costs. With regard to system improvements, REA will advance all costs including retirement costs, less any salvage. With regard to replacement, REA will advance only the excess cost of the new item over the original cost of the old item. The following two questions were presented for study by the Accounting and Auditing Division: (1) How can REA prevent the advancing of the full value of new transformers and meters used as replacements, and (2) Should we continue to capitalize transformers and meters on purchase in view of the accounting difficulties encountered.

TECHNICAL OPERATIONS AND MAINTENANCE

Mr. Carpenter reviewed the background and development of the present program for advising borrowers on the technical maintenance of their system. He said that we must now "sell" the cooperatives on the value of a good maintenance program. Co-op members are now primarily interested in good service and the maintenance group is trying to develop with co-ops some basic guidelines for a good maintenance program, making possible the issuance of specific recommendations. It is thought that flexible types of records will be recommended which can be made suitable to the needs of various types of cooperatives. What we need is an operational system which is easily maintained and really practicable in application. Considerable discussion was held regarding budgeting and inclusion of maintenance programs in the operations budget. It was stated that it is helpful to bring into the budgeting process a finance committee of the Board of Directors, and that colored charts depicting estimates and actualities are also very helpful. No records are yet available on the unit cost of maintenance but the work orders can be referred to for comparable data and also the feasibility formula may be used. It was suggested that at future meetings an actual example of a preventive maintenance program be presented, and the work of Charles Profitt was suggested in this connection.

WORK ORDERS

Mr. Mancini opened the discussion by asking why estimate work orders are considered necessary. Mr. Hardy made the principal points in favor of retention of the estimate work order procedure, and the consensus seemed to be that such procedure should be continued. Some of the arguments in favor of such procedure are: (1) provide check on feasibility of particular extension, (2) provide a check when manager's integrity is possibly in doubt, (3) tie in with maps and tabs and represent part of the contract arrangements, (4) represent a control on encumbrances, (5) support the statement that construction of certain types has had prior approval. As we get less money to loan, estimate work orders will be more important because money may not be available to bail out those who have too much general funds tied up. Should the use of Form AL 35R2

be continued?

PERSONNEL PROBLEMS UNDER THE DEFENSE PROGRAM

Mr. Asher stated that all promotions are now on a temporary indefinite basis but that this should not cause reluctance in applying for promotions as employees would not lose out in any reduction in force, but would compete with employees in the grade level of the former position held on a permanent basis. The attitude of the Department and REA is not to grant reemployment rights for those going to Defense Agencies. New employees now coming in as temporaries are under the Social Security System rather than the Retirement System. Mr. Asher asked field people to help procure stenographers, typists and engineers, and stated that one talking point might be that young persons can work in D. C. and complete their education at night in the many universities here at the same time. REA is not contemplating any change in per diem or mileage at the present time. Mr. Asher asked about the use of the rating form in connection with evaluating the experience and training of applicants for manager positions, and expressed the hope that field people would use the form and submit it to REA through their regional offices.

The new Performance Rating Plan was explained. Its objective is to improve relations between supervisor and worker and is based upon evaluation of written tasks and performance requirements for such tasks. The Civil Service Commission has limited ratings to a total of five, while USDA permits only three -- Outstanding, Satisfactory, and Unsatisfactory. This will cause seniority to be given much greater weight when a reduction in force is in progress. The REA plan will provide for a work sheet, showing tasks, performance requirements in statements of quantity or quality, and evaluation of such requirements. Both the supervisor and the employee will sign the form and each will retain a copy of the work sheet and it will not be filed in the personnel folder. The method for evaluating performance requirements will be optional. A rating will be given as of March 31 and December 31, 1951, and annually thereafter as of December 31.

The field people went on record unanimously to the effect that they make use of the leave record form and would like for it to be sent out to them as soon as possible. (This has been done since the meeting)

Mr. Vardy stated that as the war effort takes more and more key personnel from the cooperatives the problem will become one of teamwork on the part of remaining employees. He also stated that among the best devices for developing a proper organization were: job specifications, communications system between management and employees, status system, and rewards and punishment. These devices will promote a striving for respect; create comfort; control of own affairs; understanding; capacity performance; and integrity.

REA will not take part in the deferment situation but will leave that to the local people who should work through the manpower committees of

their statewide bodies. Mr. Asher suggested that REA field people should review the personnel practices of the REA program and see how they can be applied to the better management of co-ops.

HIGHLIGHTS OF DIVISIONAL MEETINGS

In the Applications and Loans meeting it was decided that effort will be given to obtaining area coverage applications from all borrowers. The division took cognizance of the cooperation of Management Division and the other divisions in pushing the power-use program. It was felt that there is a real need for the Section 5 loan program.

In the Engineering Division meeting consideration was given to the new memorandum on voltage regulations and system design and on the new memorandum on mapping by townships, etc. The division group requested adequate time at the June Field Conference for discussions with engineers from the Washington office on the voltage regulation memorandum.

Field Engineers recommend that borrowers be discouraged from doing their own field work on future system maps because experience shows this is not working.

Better planning and long range planning of construction and system improvements by borrowers is now more important than ever with material becoming scarce and their use restricted. Each field man should help and encourage the managers to plan construction to cope with present conditions.

The Engineering Division also held a brief general discussion of materials controls, ceiling prices, escalation and prevailing wage rates.

The Transmission Line Manual Memorandum 207 was discussed. The field engineers are very pleased with this manual and are sure that it will be of value to them in carrying out their responsibilities in connection with transmission line construction by the distribution-type borrowers.

At the Accounting and Auditing Division meeting discussions were held on the field procedures to be followed under the new field organization plan, and the reorganization of the division in Washington was explained to the field staff. The auditors stated that they were very much interested in receiving the weekly progress report on audit production. Principal technical discussions were held on construction fund audit procedures, auditing plant accounts and distributing final inventory costs, and recommending disposition of suspense account balances. During the discussion in the general meeting of the Accounting and Auditing meeting, it was suggested that all of the CPA firms doing REA work be placed on the mailing lists to receive Accounting and Auditing divisional bulletins and memoranda.

In the Management Division meeting discussions were held on the new chart and policy writeups and on the use of charts and graphs in improving the operation of cooperatives. With regard to policy books it was

recommended that REA formulate a recommended list of items requiring definite policy statements by borrowers.

Mr. Asher stressed the importance of developing and maintaining good relations with borrowers' representatives but, at the same time, he stated that REA personnel should not allow unjustified criticisms of REA to go unchallenged. The Applications and Loans Division personnel made the recommendation that schools and churches be classified separately on the operating report to assist in loan application work and that KWH averages for commercial consumers be presented. It was also stated that "services run not connected" needs interpretation. Mr. Vardy stated that changes in the operating report had been under consideration but that no revision is contemplated now because of confusion which would result among the borrowers which have only recently become entirely familiar with the present form of the report.

CAPITAL CREDITS

Mr. Wilkinson presented a very able review of capital credits and brought out some interesting and helpful interpretations of the plan which would enable field people to explain it more easily to the cooperatives' personnel. He stated that in Region I, 47 percent of the borrowers had not adopted capital credits and he asked all field people to urge adoption of the plan regardless of whether or not the borrower has a margin or a deficit on its books. The borrowers should adopt the plan and maintain the current work thereunder, giving such time as they can to equitable distribution as credits of margins which may exist at the date of adoption of the plan. In the discussion which followed it was indicated that very much confusion had existed among the field people as to the effect of capital contributions on the control of the cooperative organizations, particularly on the part of large power users such as a coal mine. However, this discussion apparently served to orient the thinking of all of the participants relative to this matter. The group was reminded that even though a large power user accumulated more than 50 percent of the net worth of the co-op, such a user still had only one vote in running the affairs of the cooperative.

GENERAL DISCUSSION OF SUBJECTS LISTED BY FIELD STAFF

One of the subjects listed by the field people concerned rehabilitation of acquisitions, especially with respect to the distribution of engineering fees as between construction and retirements. General agreement was reached as to the procedure to follow in assuring that each of these phases of the work would receive its proper share of engineering costs. The Engineering Division personnel requested that borrowers be advised periodically of the status of their normal inventory budgets for material and labor, and it was thought that this information might well be inserted in the Accounting and Auditing Division at the bottom of each final work order. With regard to mapping costs, it was suggested by the Accounting and Auditing Division that at the time the Engineering Division approves mapping contracts definite decision be made and indicated as to

the allocation of costs between construction and expense on the basis of the use expected to be made of the maps. In the discussion on the use of utilization funds, it was suggested that Applications and Loans Division should advise borrowers, when the loan is approved, or when utilization funds are set up, that such funds are to be charged to expense unless permanent equipment is purchased therewith.

REPORT BY CHAIRMAN OF CONSTRUCTIVE CRITICISM MEETING

Mrs. Keough, serving as chairman of the meeting on constructive criticism, stated that the suggestions of the field people were as follows:

1. Washington should provide someone to record and transcribe proceedings of conferences.
2. We hereby express our appreciation of Mr. Wickard's efforts in our behalf in maintaining a balance between travel allowances and travel costs; and we further express our confidence in him to continue to make appropriate adjustments proportionate to current costs.
3. Two-drawer office-type steel file cabinets for field headquarters are requested. Portable files have been found to be unsatisfactory. This is the second request. It was introduced at Old Point Comfort in June of 1950. Early action is urged.

CLOSING REMARKS

With reference to the suggestions made by the field people, Mr. Asher recited the rather unsatisfactory experience REA had previously in attempting to arrange a satisfactory method of compiling notes on field conferences. He said the matter would continue to be studied. He asked for cooperation of the field people in any future travel costs studies which might be made, and he stated that attention would be given to the matter of files, although the matter of cost and material scarcities would doubtless present a problem. The Moderator also asked the field people to submit their comments on Interim Field Conferences, as such, together with any suggestions for the future.

In response to questions, the majority of the field staff suggested that the Interim Conference next year be a 3-day meeting; that it be held in Philadelphia; that one day be given over to divisional meetings; that they make their own hotel reservations; and that the conference programs be provided for all field people approximately one month in advance of the meeting.

REPORT OF STAFF PARTICIPATION CONFERENCES (Gripe Session)

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